

## POLICY ON EXPLOITATION AND COMMERCIALISATION OF INTELLECTUAL PROPERTY

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Everyone involved with the work of The Edward James Foundation (the "Foundation") contributes to a learning, teaching and research environment which is aimed at fostering mutual respect and understanding. Within this environment, staff and students working and studying at the Foundation create a wealth of ideas and works. This policy is designed to ensure that those ideas and works are protected for the benefit of all.

This policy forms part of the terms and conditions of all staff members including [peripatetic] self-employed tutors and lecturers (but not visiting tutors and lecturers from other institutions who will be dealt with in accordance with Section 3.1.8).

This policy applies to students registered at the Foundation, whoever is their supervisor or tutor. Students registered elsewhere but whose supervisors include Foundation employees are not subject to this policy.

### **1 DEFINITIONS**

- 1.1 Intellectual Property ("IP") includes inventions, inventive ideas, designs, patents and patent applications, discoveries, improvements, methods, processes, know how, rights in confidential information, trade marks, designs and design rights (registered and unregistered), database rights, copyright in written work (including computer software) and other copyright works including works of art and design, works of artistic craftsmanship, photographs, musical and dramatic works, audio and visual recordings and multimedia installations, and including IP in works and materials devised, developed and/or written by members of staff in the course of their employment such as teaching materials and learned papers, or students in the course of their education. IP can be a valuable asset, both in order to undertake teaching and research, in enabling economic development through knowledge exchange, and in creating and enhancing an artist's or craftsman's reputation and standing.
- 1.2 Background Intellectual Property is IP that exists before an activity takes place, or is created outside of such activity. Foreground Intellectual Property is IP that is generated during and as a consequence of the activity.
- 1.3 A spin-out company is any company formed as a consequence of Foundation activity or know-how, regardless of whether registered IP is involved. A start-up company is any company created by a third party in which the Foundation is invited to participate (in equity terms) at time of creation.

### **2 PRINCIPLES OF THE EXPLOITATION OF INTELLECTUAL PROPERTY**

- 2.1 The Foundation wishes to encourage the development and exploitation of its Intellectual Property, through whichever means is most appropriate, to the benefit of the Foundation, to its staff and students, and as part of its contribution to economic and artistic development. However, the Foundation's prime role is in the production and development of IP, and it is not generally equipped to exploit IP directly. It therefore enables the exploitation of IP in a variety of ways involving established and new companies, and other organisations. The

Foundation is open-minded about the means of exploitation, but is acutely aware of the need for speed to market when successfully commercialising research outputs whilst also balancing the ethos of the Foundation. It also wishes to ensure that it has limited direct operational involvement in the commercialised activities.

- 2.2 Identification of potentially exploitable IP is a responsibility of staff and students. Staff and students are required to identify any potentially exploitable IP by completion of an IP Disclosure Record; assistance with this is available from the Group Head of Finance
- 2.3 Exploitation might take the form of licensing, assignment, or sale, to existing or newly-formed entities.
- 2.4 If the Foundation is not able or willing to exploit the IP, it will normally grant a request that it is assigned to the creator(s) for them to commercialise (without use of institutional facilities, time or name unless otherwise agreed by the Foundation). Any such assignment will be subject to suitable terms and cost recovery if the commercialisation is successful, along with consideration of any effects on the individual's ability to undertake their normal duties.
- 2.5 Exploitation and commercialisation of IP should not damage the Foundation's core activities of research, and learning and teaching.
- 2.6 Any interactions between a spin-out or start-up company must be at arm's length, to ensure charity, competition, and state aid rules are met, along with the avoidance of conflicts of interest. Additionally, in general, such companies should not operate from Foundation premises except under a specific licence to occupy.
- 2.7 Income received from the exploitation of IP will be shared with the creator(s) (see Section 6).
- 2.8 Signature of contracts, agreements, and similar is by duly authorised officers only, and does not generally include academic staff. Details of delegated authorities are available from the Group Head of Finance.
- 2.9 If an internal dispute arises, for example in relation to beneficial ownership rights, and there is need for adjudication, this responsibility will rest with the Chief Executive.

### **3 OWNERSHIP OF INTELLECTUAL PROPERTY RIGHTS**

#### **3.1 General:**

- 3.1.1 Intellectual Property is defined in Section 1 above. In accordance with the Patents Act 1977 and the Copyright, Designs & Patents Act 1988, IP generated through the course of employment in research, teaching and other related activities legally belongs to the employer (subject to third party rights and subject to the normal or assigned duties or responsibilities of the employee).
- 3.1.2 If an employee is working outside of their normal or assigned duties or responsibilities, in their own free time and without use of the Foundation's facilities and/or materials, IP arising in works created in those circumstances will generally belong to the employee. The Foundation will not normally claim any rights of ownership in any IP in those works.

- 3.1.3 Intellectual Property created by [peripatetic] self-employed tutors and lecturers in the course of their engagement by the Foundation shall vest in the Foundation in accordance with their terms and conditions. For the purposes of this policy, references to staff or employees include such self-employed tutors and lecturers in relation to such Intellectual Property.
- 3.1.4 Unless specifically agreed otherwise, the Foundation does not claim its rights of copyright in books or articles for learned journals written by members of staff or students. In general, the Foundation preserves the rights of staff and students to publish material arising from their research as they see fit. However, in some cases where commercial exploitation of the results is a possibility, the Foundation may require the author(s) to withhold publication or public display of the works until appropriate protection can be put in place.
- 3.1.5 The Foundation does claim ownership in all other forms of IP, including other forms of copyright (e.g. course materials, software and its documentation, distance learning material, e-learning material, website content, educational recordings) etc.
- 3.1.6 In relation to teaching material other than any specifically commissioned by the Foundation, the Foundation grants the individual who created the material a personal, royalty-free, non-transferable right to use and copy such material for academic purposes whether or not the creator is still at or employed by the Foundation.
- 3.1.7 In relation to unique or original works of art and design and works of artistic craftsmanship produced in the course of research and other employment activities the Foundation will own such works. Where such works are sold or otherwise commercially exploited e.g. through limited edition prints or reproductions, income received from the sale or exploitation of the IP in the work will be shared with the creator(s) (see Section 6). However, the Foundation will acknowledge the staff members as the creator of such unique or original works.
- 3.1.8 For staff with joint appointments or visiting staff (but not [peripatetic] self-employed tutors and lecturers), agreement about ownership of IP should be reached at time of appointment by the Foundation (through the Director of Education) and the other organisation(s) concerned.
- 3.1.9 Creators of IP need to be formally identified, by completion of an IP Disclosure Record, where there is a possibility of exploitation.
- 3.2 Student Ownership of Intellectual Property:
- 3.2.1 In general, students own the IP that they generate, as they are not employees, and the Foundation does not exercise any such conditions as part of registration. Students have the option to assign to the Foundation the ownership rights to the IP they generate whilst at the Foundation, and are generally required to do so if they wish to receive support from the Foundation in exploiting their IP. In assigning their ownership rights to the Foundation, a student is accorded the same rights as a

member of staff, e.g. with respect to revenue sharing, where that IP is commercially exploited in some way.

- 3.2.2 While the Foundation wishes to encourage assignment, it recognises that this is a personal choice for each student. It is recognised that where a student is externally sponsored or part of a research group that is subject to obligations to a funder or work is commissioned as part of a competition or during the course of study funded by a research scholarship the terms of that sponsorship or funding or competition may override this position, and require the student to assign to the sponsoring organisation or funder or competition organiser. Students are able and encouraged to publish their research work in journals or dissertations, subject to any appropriate prior protection of the IP in question being put in place beforehand.
- 3.2.3 Where a postgraduate research student is also an employee, the IP position will be that arising from the contract of employment if they have created the IP in the course of their employment.
- 3.2.4 Where work is created jointly by students and staff, the Foundation will usually request an assignment of the ownership rights to the IP held by the student to the Foundation. In such circumstances, the student will be accorded the same rights as a member of staff e.g. with respect to revenue sharing.
- 3.2.5 In relation to unique or original works of art and design and works of artistic craftsmanship produced in the course of their studies, the position is as follows:
- (a) Conservation work undertaken on objects owned by third parties or the Foundation - ownership of the object being worked on will remain vested in the original owner but, exceptionally, IP could be generated if new conservation techniques are developed. If so, this IP would belong to the student where it was developed solely by the student.
  - (b) Original artwork or written texts created – to the extent these are entirely the student's own work the physical items will be owned by the student together with the IP in such items. If the student chooses to offer any artwork for sale through an exhibition run by the Foundation, then a separate commission contract would be entered into at that time.
  - (c) Original or reproduction furniture, clocks or musical instruments etc created – the normal presumption is that these cannot be produced to a saleable standard without significant support and intervention by staff. Unless the contrary can be demonstrated or the object is required as evidence of ability to a prospective employer or customer, the object created will be owned by the Foundation but any IP relating to its design or the techniques used which are entirely the student's own work will belong to the student.

Any such object that forms part of an assessed course must not be disposed of or removed from the Foundation's premises without prior permission from the student's course leader until final assessment of the course is completed.

3.2.6 Where a student undertakes a work placement, agreement must be reached between the Foundation, the organisation offering the work placement and the student before commencement of the placement as to ownership of any IP arising during the course of the placement created by the student (either solely or in conjunction with that organisation's personnel).

### 3.3 Ownership of "Background" Intellectual Property:

3.3.1 A project may make use of Background IP owned by someone other than the Foundation. In this case (and where commercial use is intended), relevant contractual arrangements should be put in place with the owner. Where a member of staff or a student was involved in the creation of the IP whilst with a previous employer, that employer should be contacted to make these arrangements.

3.3.2 If you are not sure who owns the Background IP, the matter should be referred to the Group Head of Finance who will advise what steps should be taken to attempt to ascertain rights holders in the Background IP and to agree what use (if any) the Background IP can be put to.

3.3.3 If any works created by students include any Background IP owned by the Foundation, permission to use this Background IP must be sought and obtained from the Group Head of Finance before the student uses the work outside of their educational activities at the Foundation.

## 4 DEVELOPMENT OF INTELLECTUAL PROPERTY

4.1 There are a number of ways in which IP can be developed, to make it attractive to a potential customer, and to improve the return for the Foundation and the creators. Within the Foundation this will generally be handled by the Group Head of Finance or by other members of staff on their behalf.

4.2 Investment decisions are taken by the Chief Executive and the Group Head of Finance (with other relevant advice taken as necessary, including from the relevant head of department in respect of the individual's time and any other resources required to undertake the project). Applications should be approved in the same manner as applications to external funders and include all relevant direct costs, such as patent, trade mark and legal fees. The funding from the Foundation will cover the marginal directly incurred costs of the activity. The outcome of the application will be communicated to the member(s) of staff.

## 5 PROTECTION AND EXPLOITATION OF INTELLECTUAL PROPERTY

5.1 IP that is potentially exploitable should be identified and recorded using the IP Disclosure Record. As well as unprompted disclosures from staff and students, the Group Head of Finance will monitor the Foundation's externally-funded research projects to attempt to identify suitable opportunities. In doing so, all parties will be cognisant of not damaging the Foundation's core research, and learning and teaching activities.

5.2 All identified IP will be reviewed by the Group Head of Finance, to consider its suitability and marketability. The Group Head of Finance will take into account the wider strategies, policies and ethos of the Foundation in determining the exploitation route. Any exploitation plans may

also require the agreement of the original funder of the research and the owner(s) of any Background IP incorporated into the works. Protection of the IP will be determined and funded by the Group Head of Finance, but there is an expectation of recovery of those costs from any subsequent licensee(s) or assignee(s) if that is the route for exploitation.

- 5.3 The Foundation may make use of specialist external organisations, to take forward specific cases, where they bring detailed knowledge of the art or craft specialisation, technology and/or relevant market. Interactions with such organisations will be managed by the Group Head of Finance.
- 5.4 The timescale for exploitation of any given set of IP depends significantly on market conditions as well as the state of development of the IP. The discussions between the Group Head of Finance and the creator(s) should include agreement of a reasonable initial timetable, with regular review points. All parties involved have responsibilities in achieving successful exploitation, and need to be aware that circumstances will change as the process develops.
- 5.5 Where a member of staff is to undertake an involvement with a licensee or spin-out company, it must be governed by a suitable agreement between the company and the Foundation, e.g. for consultancy, services, or secondment. In any event, no discussions with external parties about the exploitation and protection of IP should take place without a non-disclosure agreement being in place.
- 5.6 Commercialisation through Spin-out and Start-up Companies:
- 5.6.1 Where a spin-out company is formed, the Foundation will normally obtain an appropriate portion of the equity to reflect the Foundation's input to the formation of the company. The level of this will vary on a case-by case basis. Allocation of this equity and related benefits is covered in Section 6. In addition to the equity, the Foundation will normally expect to recover any patent and related costs from the company. Similar provisions apply where the Foundation is offered equity in a start-up company.
- 5.6.2 Decisions on the level of equity rest with the Group Head of Finance. Similarly, if the Foundation is offered the opportunity to invest cash for equity, or to provide a loan, the decision rests with the Group Head of Finance.
- 5.6.3 Creators are permitted to provide services (either as a non-executive director of the company or simply as an advisor), subject to agreement with the Group Head of Finance. Creators may be seconded to the spin-out company, subject to the normal contracting and approval processes, and in particular that the secondment is subject in all cases to the full recovery of cost including the use of Foundation facilities and services).
- 5.7 Company Directorships:
- 5.7.1 Foundation staff are permitted to accept appointment to non-executive directorships in third party and Foundation companies, subject to the agreement of the Group Head of Finance. Individuals undertaking such roles should note that

they are personally liable as a director, and should ensure that they fully understand the legal responsibilities involved.

5.7.2 Staff in senior positions and staff in business development roles undertaking third party directorships in companies where the Foundation has a direct shareholding are likely to have actual or potential conflicts with their Foundation position. Such situations must therefore be carefully managed and monitored. A member of staff who is a director should not be directly involved in the Foundation decision-making processes relating to that organisation regarding procurement, contracting, investment, or disposal.

5.7.3 Where the Foundation has the right to appoint a non-executive director, the appointment will be made following advice from the Group Head of Finance. The Foundation may draw on relevant alumni for these purposes.

## **6 DISTRIBUTION OF INCOME FROM EXPLOITATION**

6.1 In general, the Foundation will share the net proceeds of IP exploitation with the relevant staff and students, after recovering its costs. The form of income can be as equity, dividends, royalty payments, or flat fees.

6.2 Where IP has been sold, assigned or licensed, the Foundation would normally expect to receive milestone and/or royalty payments. These will be distributed net of any relevant costs, such as legal bills, patent costs and trade mark costs, and other protection and exploitation costs, plus any repayment of loans made as part of the development process. The distribution will also be net of any agreed revenue sharing with the funders of the original research. The information in the IP Disclosure Record will be used to define the creators of the IP, and their share of the proceeds.

6.3 The net income from milestone and royalty payments to the Foundation will be distributed on the basis of the prevailing rates, as set out in Annex 1, which may be changed from time to time.

6.4 This distribution will apply to each new agreement for any given item of IP. Renewals or extensions of existing licences will not be viewed as new agreements; i.e. where there is no substantive change to the subject, field, or territory.

6.5 The funds allocated to the creator(s) will be used to make a payment to the individual(s) and to pay the employer's National Insurance contribution.

6.6 Where the Foundation receives equity as part of a company formation, the creator(s) will receive a proportion of this equity (at the prevailing rates as defined in Annex 1), before any third party involvement or investment. These shares will be in their own name(s) and they will therefore be able to decide how to manage the shareholding, whether that be full or partial disposal or retention. The individual(s) will be liable for any relevant personal taxes.

6.7 By accepting shares in a spin-out company, the creator(s) will waive any right to share in the income received by the Foundation through its holding (e.g. dividend income) or the disposal of its shares in the company. Any such payments received by the Foundation will therefore

be split (net of costs) between the creator(s) and the Foundation, at the prevailing rates, as defined in Annex 1.

- 6.8 Where the Foundation receives equity and a royalty stream, both distribution elements will apply, so that the effective overall distribution to the creator(s) is the same as if only one element existed.
- 6.9 The Foundation's equity will be held in the name of the Foundation, with the benefits to the Foundation arising when the value has been realised, following a decision by the Foundation to sell the equity also being to the account of the Foundation.

#### **ANNEX 1: PREVAILING RATES FOR INCOME DISTRIBUTION**

- 1 The following are the prevailing rates for allocation of net income and equity from exploitation and commercialisation activities.
- 1.1. For net income from milestone and royalty payments:
- 1.1.1. For the first £50,000:
- (a) 80% to the creator(s) of the IP (as described in the IP Disclosure Record);
  - (b) 20% to the Foundation.
- 1.1.2. Thereafter:
- (a) 40% to the creator(s) of the IP (as described in the IP Disclosure Record);
  - (b) 60% to the Foundation.
- 1.2. For equity:
- 1.2.1. 40% to the creator(s) of the IP (as described in the IP Disclosure Record);
- 1.2.2. 60% to the Foundation.
- 1.3. For income from the Foundation acting as a gallery or agent:
- 1.3.1. 50% to the creator(s) of the IP (as described in the IP Disclosure Record);
- 1.3.2. 50% to the Foundation.
- 1.4. For income from publishing contracts or other commissioned work undertaken:
- 1.4.1. 50% to the creator(s) of the IP (as described in the IP Disclosure Record);
- 1.4.2. 50% to the Foundation.
- 1.5. For income from sale of original works of art or craftsmanship:

- 1.5.1. 50% to the creator(s) of the IP (as described in the IP Disclosure Record);
- 1.5.2. 50% to the Foundation.
- 1.6. For income from sale of reproduction works of art or craftsmanship:
  - 1.6.1. 50% to the creator(s) of the IP (as described in the IP Disclosure Record);
  - 1.6.2. 50% to the Foundation.